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September 13, 2010

Dwight Dively, Director
King County Office of Management & Budget
401 5th Avenue, Suite 800
Seattle, WA 98104

Dear Mr. Dively:

Public Health – Seattle & King County respectfully submits the enclosed 2011 Requested Budget and Business Plan.

The department's 2011 Requested Budget was prepared in a very difficult fiscal environment. Following significant cuts in the department's 2009 and 2010 budgets, as described below, we entered our PSQ 2011 budget development process facing a persistent pattern of declining revenues, particularly in the Public Health Fund. As is well known to your office, Public Health has a long-standing structural challenge represented by the rising costs of providing services, including the labor costs of retaining a skilled and qualified workforce as well as goods and services that increase at the higher medical rate of inflation, and a flat or shrinking revenue base. In addition to this structural challenge, pursuant with the Sales Tax ballot measure planning, the department was allocated a 12% General Fund reduction in the Public Health Fund and a 6% General Fund reduction in Jail Health Services. Combined, these General Fund cuts total approximately \$5 million.

In the context of major reductions and pressures in a range of other revenues, as described in this letter, the General Fund reductions presented severe challenges for our 2011 budget planning. The department has been forced to identify significant service and staff reductions in order to propose a balanced budget for 2011. We have appreciated the opportunity to work closely with your office following the May 7 submittal of our business plan's concept memorandum as these reductions were further developed. Your staff has been very helpful.

The enclosed materials reflect current budget directions and are consistent with the adopted Public Health Operational Master Plan (PHOMP), which establishes department principles, goals, and key functions, and describes four-year, prioritized strategic plans for each of its domains. The PHOMP identifies an overarching department goal to increase the number of healthy years lived in King County and to eliminate health disparities. The PHOMP was also developed based on four guiding principles that public health programs should be:

1. Based on Science and Evidence;
2. Focused on Prevention;
3. Centered on the Community; and
4. Driven by Social Justice.

In addition to the PHOMP, the King County Strategic plan's goals: Service Excellence, Financial Stewardship, Public Engagement, and Quality Workforce, served as important guides in systematically approaching Public Health's 2011 budget planning.

The Requested Budget and Business Plan is organized according to the PHOMP and includes Public Health's five divisions and Cross-Cutting and Business functions. The divisions are Emergency Medical Services, Community Health Services, Environmental Health Services, Jail Health Services, and Prevention Services. Critical regional Cross-Cutting and Business Administrative Services include priority public health analytic, policy and communications functions, and the department's core business infrastructure. Each section specifically correlates to one of the four domains of the PHOMP: Protection, Promotion, Provision, and Organizational Attributes and Financing, which are linkages of interest to the King County Council. Our business plan also references our twenty sections, which were established pursuant to Ordinance 2009-0130 (commonly referred to as the Ferguson Ordinance), which also aligns with our organizational structure, and each relates to only one Fund as well.

Significant Budget Cuts Taken 2009-2010

As noted above, our 2011 budget development process was predated by significant cuts in the department's 2009 and 2010 budgets (including "lifeboat" reductions). Reductions in the 2009 and 2010 budgets included cuts of \$7.9M in General Fund (over \$20M in total cuts) and the elimination of 217 positions. These reductions have already eroded public health programs at the same time that the economy is causing more people to be unemployed or uninsured, adding demands to our system as well as for all the safety net providers in the community.

2009 program reductions included reducing TB investigations, reducing Maternity Support Services home visits, eliminating the HIV/AIDS Hotline, reducing Vector/Nuisance Control services, closing a Public Health Center pharmacy, eliminating street outreach with pregnant women and families involved in substance use, and cutting the number of stand-alone Immunization Clinics from nine full-time, to four part-time clinics (which then were fully eliminated in 2010).

In addition, 2009 lifeboat programs that were eliminated in the 2010 budget included reducing visits to child care facilities by 2,750 visits; eliminating the county-funded dental sealant program; reducing Children with Special Health Care Needs program by 1,118 visits; reducing financial support for Community Health Center services; reducing services in the TB Program; reducing Medical Examiner Office (MEO) death investigation capacity; reducing Public Health laboratory testing; and reducing epidemiology capacity within the Zoonotics Disease Program, for diseases transmitted from animals to humans.

In our 2010 budget, Public Health's budget problem worsened further as a result of state cuts. Due to the state's financial crisis, the Washington State Legislature reduced state public health

funding for the department in a number of key programs, including HIV/AIDS, Colon Health, Tobacco Prevention, Maternity Support Services, and Family Planning Programs.

In addition, in our 2010 budget, the State Legislature implemented a statewide 20% cut in dedicated “5930” funding, which supports critical communicable disease control and chronic disease prevention activities. This important funding, approximately \$2M in 2011, will run out at the end of 2011 due to the state’s decision to fund this revenue from the Tobacco Account rather than state general fund. This is a further example of the challenging budget environment for this department.

Additional cuts in state revenues, and ending grants and contracts, posed challenges as we entered 2011 budget development. Examples include Public Health Preparedness (\$1.6M), Tobacco (\$180K), HIV/AIDS (local cut allocation to be determined), Department of Ecology grant in Environmental Health (\$400K), and Practice-Based Research (\$80K.)

In sum, Public Health has sustained major cuts in the years leading up to our planning for the 2011 budget. Many of the programs and services impacted by these cuts serve the entire community, but some impact our county’s most vulnerable, at risk people, whose numbers have grown as our national and regional economy is hit by the current recession. Now, further significant service reductions to vulnerable populations, program closures, and cuts to infrastructure are being proposed for 2011.

Context of 2011 Budget Preparation & Guiding Principles

The economic recession is not only impacting the provision of health care services by Public Health, but also by King County safety net partners. While the economy is causing growing numbers of uninsured people to seek public health and community safety net services, state support for health care coverage and reimbursement has decreased. Further ramifications of the economic downturn are changes in fee-based service demands. Permit revenues from the septic, plumbing and gas piping programs dropped 46% between 2006 and 2009, and these revenues continue to reflect a reduction in demand due to the recession. We are not expecting growth in 2011. Out of 19 Public Health Plumbing Inspectors working at the start of 2009, six were laid off in 2009 and another three employees were laid off in 2010. These now-vacant positions are proposed to be eliminated in the 2011 budget. The Wastewater program staffing was reduced by four FTEs in 2009-2010. In addition, some mid-year reductions have been implemented this year as a result of revenues that have not met projected levels, and as a consequence, at this time, we do not anticipate the need to propose additional reductions in these programs in 2011 but will continue to monitor revenues, expenditures and workloads.

Under these very difficult financial circumstances, the PHOMP-driven priorities to support core organizational attributes and maintain critical foundational capacity guided the department in making tough budget decisions. Within this framework, we first identified reductions in overhead administrative and business functions commensurate with the target reduction. Then, further

administrative reductions and program efficiencies were taken. Next, revenue enhancement and leveraging opportunities of current and potential revenues were established. And finally, faced with the county General Fund shortfall and decreasing state and federal revenues, program and service reductions were developed.

As you know, over 87% of Public Health Fund revenues are provided by external funders for specific purposes. In order to achieve cuts in King County General Fund revenue, the department was required to return again to the programs that are dependent upon General Fund and that have been particularly impacted by General Fund pressures during the current recession.

Reductions and Highlights: 2011 Budget Request

Key reductions and changes that are proposed in the department's 2011 Requested Budget include the following:

- Reducing the number of Public Health clinic client visits to individuals who are uninsured, by prioritizing provider capacity for Medicaid-covered clients and maintaining services that are covered by Medicaid. This will result in fewer services to vulnerable uninsured clients, although a revised primary care provider staffing configuration at Eastgate Public Health Center will improve needed access and visits for children, most of whom are covered by Medicaid.
- The largest General Fund impact in the Public Health Centers results from a business model change in Maternity Support Services (MSS), which was intended to free up program revenue for critical service needs for low income and vulnerable clients. Most of this reduction would be to at-home visits provided out of all PH Centers, which have a higher time and monetary cost than in-clinic visits. We estimate that there will be about 1,600 fewer visits in 2011 due to this reduction, which represents approximately 10% fewer home visits across all centers. The department hopes to lessen the impact of this reduction by working to have all nurses more consistently meet productivity goals for numbers of visits. This will help create capacity for additional in-clinic MSS visits.

As background, MSS provides preventive health services that supplement coverage for Medicaid eligible women who are pregnant or within 60 days post-pregnancy. Benefits of MSS services include reduction of premature birth and infant mortality, and promotion of healthy child development through education, screening, early intervention and other care that helps the family make positive health care decisions. Most patients are low income pregnant women and infants.

The model changes and service reductions create program revenue that if not used to backfill the General Fund cut would otherwise be used to preserve capacity for low income and vulnerable clients in the face of highly likely impending State cuts to Medicaid reimbursement rates. For example, a 5-7% cut would be a revenue loss of over \$2 million, causing deeper

service reductions to uninsured clients as well as to Medicaid covered patients in MSS, Primary Care, Family Planning, Dental and Pharmacy. It is also vital to invest in an electronic health record, which is critical to assure financial stability, care standards and efficiency in the PH clinical system.

- Proportionally implementing the 12% reduction (approximately \$105K) in General Fund support to community health centers; as a result, these safety net agencies will have fewer funds to serve diverse, low income and uninsured King County residents and will have fewer local dollars eligible for federal Medicaid administrative match. The majority of this cut, \$72K, will affect HealthPoint community health centers, which serve a significant number of low-income people who reside in south, north and east King County.
- Reducing Medical Examiner response services between 10:00 PM to 6:00 AM, to only the pick-up of remains, without a complete scene response (which would include such duties as interviewing witnesses and taking evidentiary photographs.) The exception will be homicides, which will require on-call staff to respond. This service reduction eliminates night shift staffing by half (1.5 FTE Death Investigators), which addresses the largest portion of the target reduction challenge for the MEO. The anticipated impact of this reduction will be that the MEO may need to rely upon police investigatory work or would delay thorough scene functions until MEO morning shift staff can respond.
- Eliminating HIV/STD services at King County's DAJD Juvenile Detention Facility, a satellite service. This reduction will eliminate all funding for STD clinical services for high risk youth detained at DYS and will result in the loss of a part-time clinician who performs an estimated 500 clinical visits per year.
- Eliminating all General Fund support to the Children and Family Commission (\$1.2M). The Children and Family Commission was established pursuant to Chapter 2.50 of the King County Code. It has been based in the Public Health Department since 2004 and its revenues consist of \$1.2M of GF and \$616K from the Veterans' and Human Services Levy. An elimination of all GF will reduce by two-thirds the funding available from the Commission for community-based organizations that focus on the well-being of vulnerable families with children, many of whom are at risk for involvement with the criminal justice system.

Jail Health Services, as with other programs funded primarily by the General Fund, faces severe fiscal constraints caused by an ongoing structural deficit and the nationwide economic downturn. In addition, JHS operates under several legal and regulatory mandates that direct the scope and frequency of services JHS must provide. Eliminating many of JHS health care services and programs puts JHS in jeopardy of violating these legal agreements and potentially losing required accreditation.

In order to meet General Fund reduction requirements, JHS pursued efficiencies, including the use of technology, and identified health care services that would have the least impact on inmate health.

As examples JHS is increasing efficiencies from the implementation of the electronic health record system, as JHS finds further opportunities for automation and savings in areas such as patient registration, and implementation of automated medication packaging equipment in 2011.

Financing Model for Public Health Centers

The department continues its financing model for the Public Health Centers, which uses General Fund to cover the costs of public health center infrastructure/building costs, and also employs outside flexible funds to support the department and county indirect costs at the centers. In this model, the programs located in public health centers are expected, collectively, to cover their direct costs with patient-generated and contract/grant funds, subject to policy decisions about subsidies to serve uninsured populations. The goals of this financial model for the centers are to address problems with the former budgeting structure through a more efficient model that provides better predictability of need for General Fund funds, efficiency, scalability in the model to respond to available resources, and flexibility to address the changing future of health care system financing at the national and state levels, while also supporting effective service delivery.

As described elsewhere in this letter, to help meet the General Fund target reduction in the Public Health Fund, the department's budget proposal cuts General Fund support for PH Centers infrastructure. Because infrastructure costs are fixed, to keep Centers operating, this general fund reduction would be backfilled by revenue transferred from program funds used for delivering services, described above. The consequence of transferring program revenue to infrastructure costs is that the revenue is no longer available to provide services (specifically in 2011) to provide care to increasing numbers of uninsured clients and to protect existing services from impending state cuts in clinic reimbursement rates. Funding would also be cut from development of an electronic health record system, which is a critical efficiency needed to improve patient care and to generate additional Medicaid payments.

Fee and service proposals

- Medical Examiner Office (MEO) - Disposition Review. The MEO is proposing an expanded function to review all deaths prior to disposition of the body. This will result in a public health and law enforcement benefit of being able to both identify all unnatural deaths and assure legal and complete certification of all deaths in King County before burial or other disposition occurs. To support this service, the MEO is proposing a \$50.00 cost-recovery fee per certification. This service will allow King County to assure accurate determination and reporting of cause and manner of death and avoid an estimated 40-50 burials presently conducted annually without proper review. This fee and process already applies to cremations,

which comprise the disposition of two-thirds of all deaths in King County. The proposal is to apply this process to all deaths regardless of the method of disposition.

- **Medical Examiner Office – Autopsy Report Fee increase:** The MEO proposes to increase the fee for copies of autopsy reports from \$40 to \$50, in order to achieve full cost recovery for this service. This revision is forecasted to increase MEO fee revenue by approximately \$40,000.
- **Vital Statistics - Notary Fee:** Vital Statistics proposes a new \$8 fee for notary services, raising revenue by approximately \$2,400 annually. For example, Vital Statistics employees assist parents who need to add the father's name to the child's birth certificate, which is done with a Paternity Affidavit. Parents can go to any notary public to have this done; if they prefer to have a Vital Statistics employee provide the notary public service, a fee of \$8 is proposed to cover the costs of providing this service. A notary fee of \$8 is used elsewhere in King County.
- **Environmental Health - Plumbing/Gas Piping Fees:** The division proposes county and city council approval for an increase in plumbing and gas piping fees associated with the normal three-year cycle for fee adjustments in its regulatory programs. In addition to maintaining full cost recovery for services, the proposal will also restructure the fees to reflect the finding that permits for small jobs have not been covering the cost of service, which has been a problem since the average size of the projects has dropped along with the number of jobs. The proposal will also include different fees for plumbing and for gas piping since the data show that the amount of time spent on the inspections varies for the two services.

Emergency Medical Services

The Requested Budget for Emergency Medical Services (EMS) focuses on implementation of priorities and strategic initiatives in its strategic plan, including advanced life support services (ALS), basic life support services (BLS), dispatch enhancements, medical quality improvement, online training for EMS providers, and injury prevention programs.

The Requested Budget also recognizes changes in Medic One/Emergency Medical Services (EMS) levy fund revenue forecasts, since assessed values are going down and property owners are paying lower levy amounts than projected. As in other service areas, the severe economic recession is having a significant effect on regional EMS levy revenues. However, due to the planning foresight of regional EMS partners, the Executive and the County Council, the impact of the recession is less severe than initially anticipated; further, there is an effective method for mitigating gaps between revenues and expenditures using existing and additional EMS levy fund reserves and contingencies rather than taking reductions in direct life-saving services.

Anticipating ongoing revenue challenges in this levy period, the EMS Division is reviewing priorities and pursuing further cost efficiencies, including a regional vehicle purchasing program, recommending the cancellation of the planned expansion of two 12-hour ALS units, and reducing the budgets of selected Strategic Initiatives.

Veterinary Clinic Services

Public Health provided effective oversight of veterinary medical care for animals in the custody of King County's animal shelter for one and a half years. Environmental Health ended its role in this service mid-2010 with the implementation of a new service model for animal care and control, which returned this function to the Department of Executive Services; as a result, this program has been removed from the proposed 2011 budget request.

IT Capital Improvement (IT CIP) & Other Projects

The department's Requested Budget also includes the following IT capital improvement project requests and other projects:

- The department continues to pursue the implementation of an electronic health record (EHR) system as part of the replacement for the legacy Practice Management System called Signature. An EHR will result in improved patient safety, improved clinical outcomes, increased efficiencies, and compliance with federal requirements. This is an approved IT CIP under Project Review Board (PRB) governance. Funding has been identified for planning; however, full funding has not yet been identified for the purchase and implementation of a system.
- IT projects approved for the Emergency Medical Services division are the Computer-Based Dispatch/CAD projects at Valley Communications Center and Northeast Regional Communications Center, and the System-Wide Enhanced Network Design (SEND) Strategic Initiative.
- Late 2011 is the scheduled point in time when the department's land and development-based programs in Environmental Health will join the countywide Permit Integration Project with its associated funding requirements.

Communities Putting Prevention to Work (CPPW) Initiative

Public Health – Seattle & King County was the recipient of two grant awards from the federal government for American Reinvestment and Recovery Act (ARRA). The awards, one each for obesity prevention and reduction in tobacco use, supports critical health promotion and chronic disease prevention activities to be administered by Public Health and community based organizations. Obesity and tobacco use are two of the leading contributors to premature illness, death and health care costs locally and nationwide. These federal stimulus dollars are an excellent one-time opportunity to pay for changes that will have lasting effects on people's health. The grants will primarily fund activities by local community agencies, schools, businesses and governments to change policies, systems and environments. The total grant award is \$25.4M, over two years, which includes \$15.5 million for Healthy Eating/Active Living and \$9.9M for

Tobacco. \$12M was appropriated and is being expended in 2010, and the remaining \$12.8M is included in the Department's 2011 budget request. Approximately two-thirds of these grant dollars will flow directly to local community-based agencies.

In Conclusion

Over the last decade, the provision of public health services in King County has been continually challenged due to emerging health risks, the increasing burden of preventable disease in our community, and public expectations and mandates. Public Health needs continue to evolve and diversify in response to the changing conditions among King County's populations, which are influenced by global, national, state, and local forces including the epidemic of obesity which gives rise to chronic conditions like diabetes, and heart disease; emerging infectious diseases like H1N1 influenza; bioterrorism; potential flood disasters; and an increasing number of people who lack adequate health insurance.

As indicated by the information in this letter and through our Requested Budget, federal, state, and local revenues that support core public health programs are significantly reduced in the 2011 budget and are likely to continue to decrease without a long term, dedicated funding source that is adequate to effectively protect and improve the health, safety, and quality of life for all King County residents.

We look forward to continuing on working with you as the Executive's Budget is transmitted to the King County Council for their review and consideration.

Sincerely,

David Fleming, M.D.
Director and Health Officer